

89TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } No. 624

AUTHORIZING THE LOAN OF NAVAL VESSELS TO TURKEY,
CHINA, AND THE PHILIPPINES

JULY 19, 1965.--Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. RIVERS, from the Committee on Armed Services, submitted the
following

REPORT

[To accompany H.R. 7813]

The Committee on Armed Services, to whom was referred the bill
(H.R. 7813) to authorize the loan of naval vessels to Turkey, China,
and the Philippines, having considered the same, report favorably
thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the loan of six vessels of
the destroyer and destroyer escort categories of the reserve fleet to
Turkey, China, and the Philippines.

SUMMARY

The President desires authority to loan six ships to the following
countries:

China.....	1 destroyer and 2 destroyer escorts.
Turkey.....	2 destroyers.
Philippines.....	1 destroyer escort.

The destroyers that are to be loaned are of the *Fletcher* class (2,100
tons). The destroyer escorts are of the *Bostwick* class (1,590 tons).

COST

The cost of this bill will be between \$17 and \$26 million, depending
upon the extent of overhaul and modification performed.

BACKGROUND OF SHIP LOAN PROGRAM

The law

Prior to 1951, U.S. naval vessels were transferred to friendly foreign nations under the provisions of the Mutual Assistance Defense Act of 1949, as amended. In 1951, the Congress passed Public Law 82-3 (10 U.S.C. 7307). This law, as codified, is as follows:

RESTRICTION ON DISPOSAL. (a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Operations certifies that it is not essential to the defense of the United States.

(b) Without authority from Congress granted after March 10, 1951, no battleship, aircraft carrier, cruiser, destroyer, or submarine that has not been stricken from the Naval Vessel Register under section 7304 of this title, nor any interest of the United States in such a vessel, may be sold, transferred, or otherwise disposed of under any law.

Since that time, 17 laws relating to ship transfers have been enacted by the Congress. Eleven of these provided authority for new loans and extensions of existing loans and the other six dealt with loan extensions only.

Transfers to date

These laws have authorized the loan of 94 ships, the transfer of 9 ships, and the sale of 4 ships. Of the 94 ships authorized for loan 72 have actually been loaned; of the 4 ships authorized for sale, 1 has been sold; all of the 9 ships' transfers have been effected.

Expenditures and receipts to date

To date, ship loan laws have involved an expenditure of \$158,981,000 in the activation, rehabilitation, and outfitting of vessels.

On the other side of the ledger, the United States has received \$41,406,345 from the sale of a submarine to Venezuela and from the activation, rehabilitation, and outfitting of vessels which have been paid for by the recipient countries.

TYPICAL COSTS

The cost of activation, overhaul, and rehabilitation of a destroyer varies between \$3.3 and \$5.7 million. The higher figure would be applicable to a ship which was also modernized.

Similar costs for a destroyer escort are from \$2 to \$2.7 million. These costs are typical and vary somewhat from ship to ship. Some of the ships in this bill, however, may have only austere rehabilitation and in these cases the cost per ship will be much less.

Ships on loan to China and Turkey as of June 1, 1965

Country	Number and type	Ships	Authority	Delivery date	Expiration date
Republic of China.	4-DD	Benson, DD-421.....	Public Law 83-188, TIAS 2916 as amended by Public Law 86-57, TIAS 4340 extended Public Law 88-437.	Feb. 26, 1954	¹ Feb. 26, 1969
		H. P. Jones, DD-427.....	do	do	Do. ¹
		Rodman, DD-456.....	Public Law 83-188, TIAS 3216, 4597 as amended by Public Law 86-482 extended Public Law 88-437.	July 28, 1955	¹ July 28, 1970
Turkey.....	5-SS	Plunket, DD-431.....	Public Law 85-532, TIAS 4180 extended Public Law 88-437.	Feb. 16, 1950	¹ Feb. 16, 1969
		Guitarro, SS-303.....	Public Law 83-214, TIAS 3042 as amended by Public Law 86-57, TIAS 4309 extended Public Law 88-437.	Aug. 7, 1954	¹ Aug. 7, 1969
		Hammerhead, SS-364.....	do	Oct. 23, 1954	¹ Oct. 23, 1969
		Borgall, SS-320.....	Public Law 85-532, TIAS 4117 extended Public Law 88-437.	Oct. 18, 1958	¹ Oct. 18, 1968
		Mapiro, SS-376.....	do	Mar. 18, 1960	¹ Mar. 18, 1970
Philippines ²		Mero, SS-378.....	do	Apr. 20, 1960	¹ Apr. 20, 1970

¹ Legislation authorized 5-year extension.

² No ships on loan.

Detailed costs of proposed legislation

[In millions]

Country	Number	Type	Activation or modification	Spares	Material total	Training	Overall total
Turkey.....	2	DD	\$10.66	\$0.72	\$11.38	\$0.14	\$11.62
China.....	1	DD	5.33	.38	5.69	.25	5.94
Do.....	2	DE	5.034	.428	5.46	.34	5.80
Philippines.....	1	DE	2.617	.213	2.73	.17	2.90
Total.....							26.16

VARIATION IN SHIP LOAN REACTIVATION COSTS

The reactivation, overhaul, and modernization costs for the ships proposed for loan in H.R. 7813 are estimated to vary from a minimum of \$17 million to a maximum of \$26 million. The reasons for the variance in cost estimates are many; the most pertinent being:

Condition of hull

The condition of the hull and machinery varies between ships due to age, time in active service, deterioration in mothballs, etc. Only after each ship selected for loan or sale has been inspected by technical personnel can accurate estimates be given for activation and overhaul costs of the hull and machinery.

Obsolete equipment replacement

The length of time since the ship was active and the type of equipment installed, such as radars, radios, fire control equipment, etc., will influence the amount of equipment that must be replaced. Certain obsolete equipment must be replaced to insure that spare parts are available and thus the ship is logistically supportable after activation.

Modernization

If the recipient country desires more modern antiaircraft guns such as 3-inch 50's, or more powerful sonar, etc., the total cost will vary greatly. Additionally, recipient countries may desire various alterations to improve the effectiveness of a vessel.

Extent of overhaul

There may also be differences in the amount of overhaul work accomplished in U.S. shipyards. The capability of recipient countries to perform limited overhaul work in their own shipyards would lessen the amount done in the United States thus decreasing the estimated costs.

Spare parts

The depth and range of spare parts purchased to support the ship in the future will also cause the costs to vary.

Consumable stores

The amount of consumable stores will also change the total cost to the recipient governments.

RESERVE FLEET

Of the types of ships contemplated for loan or sale in this bill, we now have in the reserve fleet 134 destroyers and 191 destroyer escorts.

U.S. WORLDWIDE COMMITMENTS

The U.S. worldwide defense commitments have required large allocations of our resources of manpower, equipment, and money. It is our goal to obtain a larger and more equitable allied participation in and contribution to free world defense, with a corresponding decrease in inequitably high American costs. The proposed ship transfers support that goal.

Ships now contributing only potential readiness in our reserve fleet can be converted to actual operational naval strength in the hands of our allies. These reserve fleet ships have a U.S. mobilization role; however, from a strictly military evaluation they are a better asset when overhauled and modernized to an appropriate degree, strategically dispersed throughout the world, and operational in the hands of our allies.

Validation of need

For each proposed loan or sale, the military requirement for ships has been thoroughly validated by the country team, the unified commander, and the Joint Chiefs of Staff.

Ability to operate ships

It has been determined that the recipient country has both the manpower and technical ability to operate the ships efficiently and effectively. The committee is advised that a concurrent request through diplomatic channels for the loan or sale has assured that there is also political support for the proposed transfer. After approval by the country team, the unified commander has reviewed the proposed ship loan or sale to insure that it is in accordance with theater plans. Subsequently, the other military departments, the

Departments of Defense and State, and the Bureau of the Budget by their approval, have given assurance that the proposal fully supports U.S. policy and objectives.

MUTUAL ADVANTAGES

Internal and external security.—The committee was informed that the ships proposed for loan under this bill will be used by the recipient countries to discharge naval responsibilities assumed by them in their areas. These ships will assist the recipient countries in maintaining their own internal security, in protecting their coasts and coastal lines of communication, and in protecting sea lines of communication.

Antisubmarine capability.—The Department of Defense regards as important the achievement of a strong antisubmarine capability in the areas where these ships would be loaned. Any contribution by the recipient countries to offsetting a prospective submarine threat would enhance the total defense capability of the free world. To the extent that recipient countries develop an antisubmarine capability, U.S. naval forces will be freed from certain antisubmarine tasks.

Readiness and maintenance.—Although the U.S. Navy reserve fleet is a source of potential naval strength, this potentiality would become actual naval strength if all the ships could be adequately manned, operated, and maintained in an active status. The cost of such operation by the United States is prohibitive in peacetime. Operation and maintenance of the vessels by allies can assist in keeping the equipment ready for use and in good condition.

Deployment.—Obviously, it is important to have naval forces properly positioned to counter an enemy threat. If the allies to whom the ships are to be loaned have the vessels functioning at the outbreak of any hostilities, time will be saved in the positioning of ships in the geographical areas where they are to be used.

Dispersion of our reserve fleet.—The U.S. Navy reserve fleet has been dispersed as widely as available berthing space and reasonable access to repair and overhaul facilities for periodic rehabilitation would permit. The loan of the ships that are the subject of this bill would tend to reduce undesirable concentration of reserve vessels.

Extension of U.S. influence.—The recipients of other loans of U.S. ships have adopted U.S. Navy doctrines and standards of operation and maintenance. This result has come about under the personnel training program carried out before and after transfer of the ships. During such training, naval personnel of foreign nations have the opportunity to observe U.S. Navy organizations in action and to observe America and Americans during their periods of leave and liberty. The officers and men who receive this training will provide the leadership for their navies in the years to come.

RECIPIENT NATIONS

Requests received.—Since World War II, the United States has received many requests for ships from foreign countries. These requests have been evaluated in terms of the needs of the requesting countries, mobilization requirements of the United States, worldwide demands on our resources, and the availability of mutual defense assistance funds.

Ships proposed for loan under this bill will satisfy some of the more urgent requests that have been considered. The ships that are proposed for transfer under the bill are part of our mobilization base but they will be in possession of allies and not lost to the United States.

Ability of countries to use.—The ability of the countries concerned to operate these vessels properly has been checked by the country teams composed of the U.S. Ambassador, the chief of the military assistance advisory group, and the U.S. operations mission in each country involved.

AGREEMENTS WITH FOREIGN COUNTRIES

Formal agreement

It is proposed that, upon enactment of the bill into law, a formal agreement will be concluded by the State Department with the recipient foreign government. It will be for a term of 5 years and if requested by the recipient government, the loan may be extended for an additional 5 years at the discretion of the President. The agreement will stipulate that the ships be used in accordance with the conditions of the mutual defense assistance agreement. The recipient government will have use of all equipment and spare parts on board the ships at the time of the delivery, but title remains in the United States even though the ships may be placed under the recipient government's flag. Possession of the ships will not be relinquished without consent of the United States, and no claims arising as a result of transfer and operation of the ships may be assessed against the United States.

Right to repossess

The United States may repossess these ships at any time if necessitated by its own emergency defense requirements. At the expiration of the loan, the ships will be returned in the same condition as when loaned, except for fair wear and tear, but if a ship is damaged or lost through enemy action, the recipient country is exempt from liability for such damage or loss.

FRIENDLY FOREIGN NATIONS

Ultimate responsibility for determination of a "friendly foreign nation" is vested in the President by the Foreign Assistance Act of 1961, section 503, which states inter alia:

The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, * * *

Similar authority is contained in section 507 regarding military sales. In this case, the "sale" is for goods and services; i.e., equipment and repairs used in activating and overhauling the ship.

The definition is detailed further within the act of 1961 in section 506 where certain conditions of eligibility are prescribed. These conditions are applied continuously to all countries eligible for both grant aid and sales by the Departments of State and Defense to insure that recipients are "friendly" and that such military assistance is in keeping with military and political objectives of the United States.

THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED,
PART II, CHAPTER 2

MILITARY ASSISTANCE

SECTION 506. CONDITION OF ELIGIBILITY.—(a) In addition to such other provisions as the President may require, no defense articles shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—

(A) permit any use of such articles by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles by gift, sale, or otherwise, or

(C) use or permit the use of such articles for purposes other than those for which furnished;

(2) it will maintain the security of such articles, and will provide substantially the same degree of security protection afforded to such articles by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles; and

(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles which are no longer needed for the purposes for which furnished.

FISCAL DATA

Although it is not possible to determine at this time the costs involved in this bill, it can be said that should the United States be required to pay all of the costs, the bill will involve between \$17 and \$26 million.

DEPARTMENTAL DATA

This bill is a part of the Department of Defense legislative program for the 89th Congress. The Bureau of the Budget has no objection to this legislation. Below is set out a letter dated April 27, 1965, from Secretary of the Navy Paul H. Nitze which is made a part of this report:

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, D.C., April 27, 1965.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

MY DEAR MR. SPEAKER: There is forwarded herewith a draft of proposed legislation to authorize the loan of naval vessels to friendly foreign countries.

This proposal is a part of the Department of Defense legislative program for the 89th Congress, and it is related to the mutual defense and development program. The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this proposal for the consideration of the Congress. The Department of the Navy has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the loan of six vessels of the destroyer and destroyer escort categories of the reserve fleet to certain friendly foreign countries.

The following factors were considered before the new loans were proposed: First, it was determined that the transfer of ships for the specific intended uses of this legislation would not adversely affect the U.S. Navy's military capability and is in keeping with the U.S. national policy for the countries under consideration. The loans were then examined in relation to the naval tasks which the nations will be performing under their bilateral and multilateral agreements. Finally, an appraisal was made of the countries' demonstrated will to provide for their own defense and available manpower in conjunction with their capability to operate the ships, and the countries' economies. These factors have been weighed in the field by the U.S. Ambassador and the chief of military assistance advisory group in each country, by the commander in chief, Pacific, and commander in chief, U.S. European Command, for the countries in their respective areas, and by the Departments of Defense and State. At each of the levels it was determined that it is to our advantage to initiate the loans to these countries.

The United States would derive significant advantages from these loans, foremost of which will be the increased capability of free world navies to combat the threat posed by the Sino-Soviet submarine forces. This increased capability will result from effectively trained and combat-ready free world antisubmarine forces on station in potential areas of operation.

In view of the advantages, the political desirability of these loans, and the military requirement for these forces, it is considered that the legislation proposed herein should be enacted.

COST AND BUDGET DATA

It is estimated that the cost of activation and mobilization of the six vessels which are covered by the draft bill will total approximately \$17 million. These costs will be charged to funds programed for the recipient government as grant military assistance under provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation, or will be charged to funds provided by the recipient government under the reimbursable provisions thereof.

Sincerely yours,

PAUL H. NITZE,
Secretary of the Navy.

NAVAL VESSELS TO TURKEY, CHINA, AND THE PHILIPPINES 9

A BILL To authorize the loan of naval vessels to friendly foreign countries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding section 7307 of title 10, United States Code, or any other law, the President may lend to friendly foreign nations, on such terms and conditions as he deems appropriate, ships from the reserve fleet as follows:

(1) China, one destroyer and two destroyer escorts, (2) Turkey, two destroyers, and (3) the Philippines, one destroyer escort.

SEC. 2. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of vessels transferred under this Act, shall be charged to funds programed for the recipient government as grant military assistance, or as reimbursable, under the provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

SEC. 3. Loans executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. All loans shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.

SEC. 4. No loan may be made under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such loan is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all extensions or loans made under authority of this Act.

SEC. 5. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act.

SEC. 6. The authority of the President to lend naval vessels under this Act terminates on December 31, 1967.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported:

EXISTING LAW

(10 U.S.C. ch. 633, Naval Vessels)

THE BILL AS REPORTED

* * * * *

SEC. 7307. RESTRICTION ON DISPOSAL. (a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Operations certifies that it is not essential to the defense of the United States.

(b) Without authority from Congress granted after March 10, 1951, no battleship, aircraft carrier, cruiser, destroyer, or submarine that has not been stricken from the Naval Vessel Register under section 7304 of this title, nor any interest of the United States in such a vessel, may be sold, transferred, or otherwise disposed of under any law.

* * * * *

That notwithstanding section 7307 of title 10, United States Code, or any other law, the President may lend to friendly foreign nations, on such terms and conditions as he deems appropriate, ships from the reserve fleet as follows:

(1) China, one destroyer and two destroyer escorts, (2) Turkey, two destroyers, and (3) the Philippines, one destroyer escort.

SEC. 2. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of vessels transferred under this Act, shall be charged to funds programed for the recipient government as grant military assistance, or as reimbursable, under the provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

10 NAVAL VESSELS TO TURKEY, CHINA, AND THE PHILIPPINES

SEC. 3. Loans executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. All loans shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.

SEC. 4. No loan may be made under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such loan is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all extensions or loans made under authority of this Act.

SEC. 5. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act.

SEC. 6. The authority of the President to lend naval vessels under this Act terminates on December 31, 1967.

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89TH CONGRESS }
1st Session }

HOUSE OF REPRESENTATIVES }

REPORT
No. 623

AUTHORIZING THE LOAN OF NAVAL VESSELS TO ITALY AND SPAIN

JULY 15, 1965.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. RIVERS of South Carolina, from the Committee on Armed
Services, submitted the following

REPORT

[To accompany H.R. 7812]

The Committee on Armed Services, to whom was referred the bill
(H.R. 7812) to authorize the loan of naval vessels to friendly foreign
countries; and for other purposes, having considered the same, report
favorably thereon without amendment and recommend that the bill
do pass.

PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the loan of two submarines
to Italy and a helicopter carrier to Spain.

SUMMARY

The President desires authority to loan three ships as follows:

Italy	2 submarines.
Spain	1 helicopter carrier.

The submarines to be loaned are of the *Balao* class (1,500 tons).
The helicopter is of the *Cabot* class (11,000 tons).

COST

The cost of this bill will be approximately \$20.5 million. This cost
will be borne entirely by the recipient countries.

GOLD INFLOW

This bill will result in a favorable flow of gold to the United States
in the amount of \$20.5 million.

REQUESTS BY ITALY AND SPAIN

The Italian Government has requested the loan of two submarines to be used by the Italian Navy to replace existing obsolete and shallow-diving vessels. The resultant improved submarine services will markedly improve the proficiency of the Italian ASW forces which are a significant part of the free world naval strength. If the loan of these two submarines is approved, limited activation will be accomplished prior to transfer to Italy where these submarines will receive extensive overhaul and modernization.

The Spanish Government requested the loan of a *Cabot* class helicopter carrier. If this legislation is approved, the Spanish Government will pay the cost of activation, overhaul, and modernization in the U.S. shipyards, and will buy U.S. helicopters. With this helicopter carrier the Spanish intend to build a significant ASW capability that would be helpful to the United States in combating the threat posed by Soviet bloc submarine forces.

FACTORS CONSIDERED

The following factors were considered before the new loans were proposed: First, it was determined that the transfer of ships for the specific intended uses of this legislation would not adversely affect the U.S. Navy's military capability and is in keeping with the U.S. national policy for the countries under consideration. The loans were then examined in relation to the naval tasks which the nations will be performing under their bilateral and multilateral agreements. Finally, an appraisal was made of the countries' demonstrated will to provide for their own defense and available manpower in conjunction with their capability to operate the ships, and the countries' economies. These factors have been weighed in the field by the U.S. Ambassador and the chief of the military assistance advisory group in each country, by the commander in chief, U.S. European Command, and by the Departments of Defense and State. At each of the levels it was determined that it is to our advantage to initiate the loans to these countries.

Advantages to the United States

The United States would derive significant advantages from these loans as they are the most economical and effective means by which the United States can assist these navies to meet their force improvement program.

BACKGROUND OF SHIP LOAN PROGRAM

The law

Prior to 1951, U.S. naval vessels were transferred to friendly foreign nations under the provisions of the Mutual Assistance Defense Act of 1949, as amended. In 1951, the Congress passed Public Law 82-3 (10 U.S.C. 7307). This law, as codified, is as follows:

RESTRICTION ON DISPOSAL. (a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Opera-

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tions certifies that it is not essential to the defense of the United States.

(b) Without authority from Congress granted after March 10, 1951, no battleship, aircraft carrier, cruiser, destroyer, or submarine that has not been stricken from the Naval Vessel Register under section 7304 of this title, nor any interest of the United States in such a vessel, may be sold, transferred, or otherwise disposed of under any law.

Since that time, 17 laws relating to ship transfers have been enacted by the Congress. Eleven of these provided authority for new loans and extensions of existing loans and the other six dealt with loan extensions only.

Transfers to date

These laws have authorized the loan of 94 ships, the transfer of 9 ships, and the sale of 4 ships. Of the 94 ships authorized for loan 72 have actually been loaned; of the 4 ships authorized for sale, 1 has been sold; all of the 9 ships' transfers have been effected.

Expenditures and receipts to date

To date, ship loan laws have involved an expenditure of \$158,981,000 in the activation, rehabilitation, and outfitting of vessels.

On the other side of the ledger, the United States has received \$41,406,345 from the sale of a submarine to Venezuela and from the activation, rehabilitation, and outfitting of vessels which had been paid for by the recipient countries.

TYPICAL COSTS

The cost of activation, overhaul, and rehabilitation of a submarine is in the order of \$3.7 million, unless there is a snorkel conversion and fairwater streamlining in which event the cost is \$5 million. These costs are typical and vary somewhat from ship to ship. The submarines for Italy will, according to current planning, have only austere rehabilitation and the cost, therefore, will be considerably less than the typical cost set out above.

In the case of the helicopter carrier, the cost will be approximately \$10 million.

Ships on loan to Italy and Spain as of June 1, 1965

Country	Number and type	Ship	Authority	Delivery date	Expiration date
Italy	3-SS	Barb, SS-220	Public Law 83-188, as amended by Public Law 84-948, TIAS 3124, and Public Law 86-57, TIAS 4418 extended Public Law 88-437.	Dec. 13, 1954	Dec. 13, 1969
		Dace, SS-247	do	Jan. 31, 1955	Jan. 31, 1970
		Lizard Fish, SS-373	Public Law 85-532, TIAS 4365 extended Public Law 88-437.	Jan. 9, 1960	Jan. 9, 1970
Spain	1-SS	Kraken, SS-370	Public Law 85-532, TIAS 4262 extended Public Law 88-437.	Dec. 24, 1959	Dec. 24, 1969
		Capp, DD-550	Public Law 83-188, as amended by Public Law 84-948, and Public Law 87-387, TIAS 3789, 5098.	May 15, 1957	May 15, 1967
	5-DD	D. W. Taylor, DD-551	do	do	Do.
		Converse, DD-509	Public Law 85-532, TIAS 4262 extended Public Law 88-437.	July 1, 1959	July 1, 1969
		Jarvis, DD-799	Public Law 85-532, TIAS 4382.	Nov. 3, 1960	Nov. 3, 1970
		McGowan, DD-678	do	Dec. 4, 1960	Dec. 4, 1970

1 Legislation authorized 5-year extension.

Detailed costs of proposed legislation (no cost to United States)

[In millions]

Country	Number	Type	Activation or modification	Spares	Material total	Training	Overall total
Spain	1	LPH	\$9.5	\$0.5	\$10		\$10
		Cost of SII-3A helicopters					10
Italy	2	SS	.55		.55		.55
Total							20.55

VARIATION IN SHIP LOAN REACTIVATION COSTS

Condition of hull

The condition of the hull and machinery varies between ships due to age, time in active service, deterioration in mothballs, etc. Only after each ship selected for loan/sale has been inspected by technical personnel can accurate estimates be given for activation and overhaul costs of the hull and machinery.

Obsolete equipment replacement

The length of time since the ship was active and the type of equipment installed, such as radars, radios, fire control equipment, etc., will influence the amount of equipment that must be replaced. Certain obsolete equipment must be replaced to insure that spare parts are available and thus the ship is logistically supportable after activation.

Modernization

If the recipient country desires a snorkel and fairwater streamlining for a submarine, or more powerful sonar, etc., the total cost will vary

greatly. Additionally, recipient countries may desire various alterations to improve the effectiveness of a vessel.

Extent of overhaul

There may also be differences in the amount of overhaul work accomplished in U.S. shipyards. The capability of recipient countries to perform limited overhaul work in their own shipyards would lessen the amount done in the United States thus decreasing the estimated costs.

Spare parts

The depth and range of spare parts to support the ship in the future will also cause the costs to vary.

Consumable stores

The amount of consumable stores will also change the total cost to the recipient government.

RESERVE FLEET

Of the types of ships contemplated for loan in this bill, we now have in the reserve fleet nine submarines and three carriers of the *Cabot* class.

U.S. WORLDWIDE COMMITMENTS

The U.S. worldwide defense commitments have required large allocations of our resources of manpower, equipment, and money. It is our goal to obtain a larger and more equitable allied participation in and contribution to free world defense, with a corresponding decrease in inequitably high American costs. The proposed ship transfers support that goal.

Ships now contributing only potential readiness in our reserve fleet can be converted to actual operational naval strength in the hands of our allies. These reserve fleet ships have a U.S. mobilization role; however, from a strictly military evaluation they are a better asset when overhauled and modernized to an appropriate degree, strategically dispersed throughout the world, and operational in the hands of our allies.

Validation of need

For each proposed loan or sale, the military requirement for ships has been thoroughly validated by the country team, the unified commander, and the Joint Chiefs of Staff.

Ability to operate ships

It has been determined that the recipient country has both the manpower and technical ability to operate the ships efficiently and effectively. The committee is advised that a concurrent request through diplomatic channels for the loan or sale has assured that there is also political support for the proposed transfer. After approval by the country team, the unified commander has reviewed the proposed ship loan or sale to insure that it is in accordance with theater plans. Subsequently, the other military departments, the Departments of Defense and State, and the Bureau of the Budget, by their approval, have given assurance that the proposal fully supports U.S. policy and objectives.

Economical and effective

This bill, containing the proposed loan of two submarines and one helicopter carrier to Italy and Spain, at no cost to the United States, provides the most economical and effective means by which the United States can assist these navies to improve their forces.

MUTUAL ADVANTAGES

Readiness and maintenance.—Although the U.S. Navy reserve fleet is a source of potential naval strength, this potentiality would become actual naval strength if all the ships could be adequately manned, operated, and maintained in an active status. The cost of such operation by the United States is prohibitive in peacetime. Operation and maintenance of the vessels by allies can assist in keeping the equipment ready for use and in good condition.

Deployment.—Obviously, it is important to have naval forces properly positioned to counter an enemy threat. If the allies to whom the ships are to be loaned have the vessels functioning at the outbreak of any hostilities, time will be saved in the positioning of ships in the geographical areas where they are to be used.

Dispersion of our reserve fleet.—The U.S. Navy reserve fleet has been dispersed as widely as available berthing space and reasonable access to repair and overhaul facilities for periodic rehabilitation would permit. The loan of the ships that are the subject of this bill would tend to reduce undesirable concentration of reserve vessels.

RECIPIENT NATIONS

Requests received.—Since World War II, the United States has received many requests for ships from foreign countries. These requests have been evaluated in terms of the needs of the requesting countries, mobilization requirements of the United States, worldwide demands on our resources, and the availability of mutual defense assistance funds.

Ships proposed for loan under this bill will satisfy some of the more urgent requests that have been considered. The ships that are proposed for transfer under the bill are part of our mobilization base but they will be in possession of allies and not lost to the United States.

Ability of countries to use.—The ability of the countries concerned to operate these vessels properly has been checked by the country teams composed of the U.S. Ambassador, the chief of the military assistance advisory group, and the U.S. operations mission in each country involved.

AGREEMENTS WITH FOREIGN COUNTRIES

Formal agreement

It is proposed that, upon enactment of the bill into law, a formal agreement will be concluded by the State Department with the recipient foreign government. It will be for a term of 5 years and if requested by the recipient government, the loan may be extended for an additional 5 years at the discretion of the President. The agreement will stipulate that the ships be used in accordance with the conditions of the mutual defense assistance agreement. The recipient government will have use of all equipment and spare parts on board the ships at the time of the delivery, but title remains in the United States even though the ships may be placed under the recipient government's flag. Possession of the ships will not be relinquished without consent of the United States, and no claims arising as a result of transfer and operation of the ships may be assessed against the United States.

Right to repossess

The United States may repossess these ships at any time if necessitated by its own emergency defense requirements. At the expiration of the loan, the ships will be returned in the same condition as when loaned, except for fair wear and tear, but if a ship is damaged or lost through enemy action, the recipient country is exempt from liability for such damage or loss.

FRIENDLY FOREIGN NATIONS

Ultimate responsibility for determination of a "friendly foreign nation" is vested in the President by the Foreign Assistance Act of 1961, section 503, which states inter alia:

The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, * * *.

Similar authority is contained in section 507 regarding military sales. In this case, the "sale" is for goods and services; i.e., equipment and repairs used in activating and overhauling the ship.

The definition is detailed further within the act of 1961 in section 506 where certain conditions of eligibility are prescribed. These conditions are applied continuously to all countries eligible for both grant aid and sales by the Departments of State and Defense to insure that recipients are "friendly" and that such military assistance is in keeping with military and political objectives of the United States.

THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

MILITARY ASSISTANCE

SECTION 506. CONDITION OF ELIGIBILITY.—(a) In addition to such other provisions as the President may require, no defense articles shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—

(A) permit any use of such articles by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles by gift, sale, or otherwise, or

(C) use or permit the use of such articles for purposes other than those for which furnished:

(2) it will maintain the security of such articles, and will provide substantially the same degree of security protection afforded to such articles by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles; and
(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles which are no longer needed for the purposes for which furnished.

* * * * *

FISCAL DATA

This bill will not involve the expenditure of any Federal funds for the activation overhaul and modification of these ships.

It is estimated that the cost of activation and mobilization of the vessels which are covered by the draft bill will total approximately \$20.5 million. These costs will be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

DEPARTMENTAL DATA

The bill is a part of the Department of Defense legislative program for the 89th Congress. The Bureau of the Budget has no objection to this legislation. Below is set out a letter dated April 27, 1965, from Secretary of the Navy Paul H. Nitze which is made a part of this report.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, D.C., April 27, 1965.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

MY DEAR MR. SPEAKER: There is forwarded herewith a draft of proposed legislation to authorize the loan of naval vessels to friendly foreign countries, and for other purposes.

This proposal is a part of the Department of Defense legislative program for the 89th Congress and it is related to the mutual defense and development program. The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the presentation of this proposal for the consideration of

the Congress. The Department of the Navy has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the loan of two submarines to Italy and a helicopter carrier to Spain.

The Italian Government has requested the loan of two submarines to be used by the Italian Navy to replace existing obsolete and shallow-diving vessels. The resultant improved submarine services will markedly improve the proficiency of the Italian ASW forces which are a significant part of the free world naval strength. If the loan of these two submarines is approved, limited activation will be accomplished prior to transfer to Italy where these submarines will receive extensive overhaul and modernization.

The Spanish Government requested the loan of a *Cabot* class helicopter carrier. If the loan of this carrier is approved by Congress, the Spanish Government will pay the cost of activation, overhaul, and modernization in the U.S. shipyards, and will buy U.S. helicopters. With this helicopter carrier the Spanish intend to build a significant ASW capability that would be helpful to the United States in combating the threat posed by Soviet bloc submarine forces.

The following factors were considered before the new loans were proposed: First, it was determined that the transfer of ships for the specific intended uses of this legislation would not adversely affect the U.S. Navy's military capability and is in keeping with the U.S. national policy for the countries under consideration. The loans were then examined in relation to the naval tasks which the nations will be performing under their bilateral and multilateral agreements. Finally, an appraisal was made of the countries' demonstrated will to provide for their own defense and available manpower in conjunction with their capability to operate the ships, and the countries' economies. These factors have been weighed in the field by the U.S. Ambassador and the chief of the military assistance advisory group in each country, by the commander in chief, U.S. European Command, and by the Departments of Defense and State. At each of the levels it was determined that it is to our advantage to initiate the loans to these countries.

The United States would derive significant advantages from these loans as they are the most economical and effective means by which the United States can assist these navies to meet their force improvement program.

In view of the advantages, the political desirability of these loans, and the military requirement for these forces, it is considered that the legislation proposed herein should be enacted.

COST AND BUDGET DATA

It is estimated that the cost of activation and mobilization of the vessels which are covered by the draft bill will total approximately \$20.5 million. These costs will be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

Sincerely yours,

PAUL H. NITZE,
Secretary of the Navy.

A BILL To authorize the loan of naval vessels to friendly foreign countries, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding section 7307 of title 10, United States Code, or any other law, the President may lend to friendly foreign nations, on such terms and conditions as he deems appropriate, ships from the reserve fleet as follows:

(1) Italy, two submarines, and (2) Spain, one helicopter carrier.

SEC. 2. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of vessels transferred under this Act shall be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

SEC. 3. All loans executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. They shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.

SEC. 4. No loan may be made under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such loan is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all loans made under authority of this Act.

SEC. 5. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act.

SEC. 6. The authority of the President to lend naval vessels under this Act terminates on December 31, 1967.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported:

EXISTING LAW

THE BILL AS REPORTED

(10 U.S.C. ch. 633, Naval Vessels)

H.R. 7812

* * * * *

SEC. 7307. RESTRICTION ON DISPOSAL. (a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Operations certifies that it is not essential to the defense of the United States.

(b) Without authority from Congress granted after March 10, 1951, no battleship, aircraft carrier, cruiser, destroyer, or submarine that has not been stricken from the Naval Vessel Register under section 7304 of this title, nor any interest of the United States in such a vessel, may be sold, transferred, or otherwise disposed of under any law.

* * * * *

That, notwithstanding section 7307 of title 10, United States Code, or any other law, the President may lend to friendly foreign nations, on such terms and conditions as he deems appropriate, ships from the reserve fleet as follows:

(1) Italy, two submarines, and (2) Spain, one helicopter carrier.

SEC. 2. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of vessels transferred under this Act shall be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

SEC. 3. All loans executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. They shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.

SEC. 4. No loan may be made under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such loan is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all loans made under authority of this Act.

SEC. 5. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act.

SEC. 6. The authority of the President to lend naval vessels under this Act terminates on December 31, 1967.

LOAN OF NAVAL VESSELS TO ITALY AND SPAIN

13

89TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 622
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AUTHORIZING THE SALE OR LOAN OF NAVAL VESSELS
TO FRIENDLY LATIN AMERICAN COUNTRIES

JULY 15, 1965.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. RIVERS of South Carolina, from the Committee on Armed
Services, submitted the following

R E P O R T

[To accompany H.R. 7811]

The Committee on Armed Services, to whom was referred the bill (H.R. 7811) to authorize the sale or loan of naval vessels to friendly Latin American countries, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the sale or loan of 12 vessels of the destroyer and submarine categories of the reserve fleet to certain friendly Latin American countries. This authority is requested to enable the Latin American navies to continue replacement of obsolete ships and standardization on general purpose units suitable and effective for peacetime surveillance of coastal waters, support of counterinsurgency operations in coastal areas, and wartime patrol of convoy routes along their coasts.

TRAINING EXERCISE

The annual United States-South American ASW training exercises (UNITAS VI is scheduled for fall 1965) have demonstrated the value of standardizing equipment and training to improve the collective strength of United States-South American naval forces.

50-006

NAVAL VESSELS TO FRIENDLY LATIN AMERICAN COUNTRIES

SUMMARY

The President desires authority to loan or sell 12 ships to the following South American countries:

Argentina	3 destroyers.
Brazil	4 destroyers.
Chile	2 destroyers.
Peru	2 destroyers.
Venezuela	1 submarine.

The destroyers to be loaned or sold are of the *Fletcher* class (2,100 tons). The submarine is of the *Balao* class (1,500 tons).

COST

The cost of this bill will be between \$38 and \$80 million depending upon the extent of overhaul and modification performed, and whether title to the ships is purchased by the recipient countries. This cost will be borne entirely by the recipient countries.

GOLD INFLOW

This bill will result in a minimum of \$38 million or maximum of \$80 million favorable flow of gold depending upon the considerations set out immediately above.

BACKGROUND OF SHIP LOAN PROGRAM

The law

Prior to 1951, U.S. naval vessels were transferred to friendly foreign nations under the provisions of the Mutual Assistance Defense Act of 1949, as amended. In 1951, the Congress passed Public Law 82-3 (10 U.S.C. 7307). This law, as codified, is as follows:

RESTRICTION ON DISPOSAL. (a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Operations certifies that it is not essential to the defense of the United States.

(b) Without authority from Congress granted after March 10, 1951, no battleship, aircraft carrier, cruiser, destroyer, or submarine that has not been stricken from the Naval Vessel Register under section 7304 of this title, nor any interest of the United States in such a vessel, may be sold, transferred, or otherwise disposed of under any law.

Since that time, 17 laws relating to ship transfers have been enacted by the Congress. Eleven of these provided authority for new loans and extensions of existing loans and the other six dealt with loan extensions only.

Transfers to date

These laws have authorized the loan of 94 ships, the transfer of 9 ships, and the sale of 4 ships. Of the 94 ships authorized for loan 72 have actually been loaned; of the 4 ships authorized for sale, 1 has been sold; all of the 9 ships' transfers have been effected.

Expenditures and receipts to date

To date, ship loan laws have involved an expenditure of \$158,981,000 in the activation, rehabilitation, and outfitting of vessels.

On the other side of the ledger, the United States has received \$41,406,345 from the sale of a submarine to Venezuela and from the activation, rehabilitation, and outfitting of vessels which have been paid for by the recipient countries.

TYPICAL COSTS

The cost of activation, overhaul, and rehabilitation of a destroyer varies between \$3.3 and \$5.7 million. The higher figure would be applicable to a ship which was also modernized.

Similar costs for a submarine are \$3.7 million unless there is a snorkel conversion and fairwater streamlining in which event the cost is \$5 million. These costs are typical and vary somewhat from ship to ship. Some of the ships in this bill, however, may have only austere rehabilitation and in these cases, the cost per ship will be much less.

Ships on loan to foreign countries contained in this bill as of June 1, 1965

Country	Number and type	Ship	Authority	Delivery date	Expiration date
Argentina.....	2-SS	Lamprey, SS-372.....	Public Law 85-532, TIAS 4455 extended Public Law 88-437.	July 21, 1960	July 21, 1970
	3-DD	Macabi, SS-375.....	do.	Aug. 11, 1960	Aug. 11, 1970
		Heermann, DD-532....	Public Law 85-532, TIAS 4653.	Aug. 7, 1961	Aug. 7, 1966
Brazil.....	4-SS	Dortch, DD-670.....	do.	Aug. 14, 1961	Aug. 14, 1966
		Stembel, DD-644.....	do.	do.	Do.
		Muskallunge, SS-262..	Public Law 84-484, TIAS 3731, 5116.	Jan. 18, 1957	Jan. 18, 1967
	4-DD	Paddle, SS-263.....	do.	do.	Do.
		Sandlance, SS-381.....	Public Law 85-532, TIAS 4662.	Sept. 7, 1963	Sept. 7, 1968
		Plsice, SS-390.....	do.	do.	Do.
		Guest, DD-472.....	Public Law 85-532, TIAS 4437 extended Public Law 88-437.	June 5, 1959	June 5, 1969
Chile.....	2-SS	Bennett, DD-473.....	do.	Dec. 15, 1960	Dec. 15, 1969
		Cushing, DD-797.....	Public Law 85-532, TIAS 4662.	July 20, 1961	July 20, 1966
		Halley, DD-556.....	do.	do.	Do.
	2-DD	Springer, SS-414.....	Public Law 85-532, TIAS 4559.	Jan. 23, 1961	Jan. 23, 1966
		Spot, SS-413.....	Public Law 85-532, TIAS 4638.	Jan. 12, 1962	Jan. 12, 1967
Peru.....	2-DD	Wadleigh, DD-689....	do.	July 26, 1962	July 26, 1967
		Rooks, DD-804.....	do.	do.	Do.
		Benham, DD-706.....	Public Law 85-532, TIAS 4602 extended Public Law 88-437.	Dec. 15, 1960	Dec. 15, 1970
Venezuela ²		Isherwood, DD-620....	Public Law 85-532, TIAS 4724.	Oct. 8, 1961	Oct. 8, 1966

¹ Legislation authorized 5-year extension.

² No U.S. ships on loan.

Detailed costs of proposed legislation (no cost to United States)

(In millions)

Country	Number	Type	Activation or modification	Spares	Material total	Training	Overall total
Argentina.....	3	DD	\$15.99	\$1.03	\$17.07	\$0.21	\$17.28
Brazil.....	4	DD	21.32	1.44	22.76	.28	23.04
Chile.....	2	DD	10.66	.72	11.38	.14	11.52
Peru.....	2	DD	10.66	.72	11.38	.14	11.52
Venezuela.....	1	SS	5.00	.25	5.25	.07	5.32
Total.....							68.68

VARIATION IN SHIP LOAN REACTIVATION COSTS

The reactivation/overhaul/modernization costs for the ships proposed for loan to Latin American countries in H.R. 7811 is estimated to vary from a minimum of \$38 million to a maximum of \$80 million. The reasons for the variance in cost estimates are many; the most pertinent being:

Purchase of title

The option to purchase title is given to the Latin American government in the proposed legislation with the prices fixed at not less than \$1 million per ship. The total cost estimates, therefore, could vary as much as \$12 million for H.R. 7811.

Condition of hull

The condition of the hull and machinery varies between ships due to age, time in active service, deterioration in mothballs, etc. Only after each ship selected for loan/sale has been inspected by technical personnel can accurate estimates be given for activation and overhaul costs of the hull and machinery.

Obsolete equipment replacement

The length of time since the ship was active and the type of equipment installed, such as radars, radios, fire control equipment, etc., will influence the amount of equipment that must be replaced. Certain obsolete equipment must be replaced to insure that spare parts are available and thus the ship is logistically supportable after activation.

Modernization

If the recipient country desires more modern anti-aircraft guns such as 3-inch 50's, or a snorkel and fairwater streamlining for a submarine, or more powerful sonar, etc., the total cost will vary greatly. Additionally, recipient countries may desire various alterations to improve the effectiveness of a vessel.

Extent of overhaul

There may also be differences in the amount of overhaul work accomplished in U.S. shipyards. The capability of recipient countries to perform limited overhaul work in their own shipyards would lessen the amount done in the United States thus decreasing the estimated costs.

Spare parts

The depth and range of spare parts purchased to support the ship in the future will also cause the costs to vary.

Consumable stores

The amount of consumable stores purchased will also change the total cost to the recipient governments.

To avoid later embarrassment incident to increases in estimated costs, the figure of \$68.68 million was chosen, which is an educated guess based on the maximum cost estimates for activation/overhaul/modernization of the ships involved. The total of \$68.68 million was derived as follows:

	[In millions]
11 destroyers:	
Activation/overhaul/modernization with 3-inch 50 guns, \$5.33 each..	\$58.63
Concurrent spare parts, \$0.36 each.....	3.96
Training of ship crews, \$0.07 each.....	.77
Destroyers total.....	63.36
1 submarine:	
Activation/overhaul/modernization with snorkle and fairwater streamlining.....	5.0
Concurrent spare parts.....	.25
Training of ships crew.....	.07
Submarine total.....	5.32
H.R. 7811, grand total.....	68.68

NOTE.—These figures do not include the cost of \$1,000,000 per ship if title is purchased.

RESERVE FLEET

Of the types of ships contemplated for loan or sale in this bill, we now have in the reserve fleet 134 destroyers and 9 submarines.

U.S. WORLDWIDE COMMITMENTS

The U.S. worldwide defense commitments have required large allocations of our resources of manpower, equipment, and money. It is our goal to obtain a larger and more equitable allied participation in and contribution to free-world defense, with a corresponding decrease in inequitably high American costs. The proposed ship transfers support that goal.

Ships now contributing only potential readiness in our reserve fleet can be converted to actual operational naval strength in the hands of our allies. These reserve fleet ships have a U.S. mobilization role; however, from a strictly military evaluation they are a better asset when overhauled and modernized to an appropriate degree, strategically dispersed throughout the world, and operational in the hands of our allies.

Validation of need

For each proposed loan or sale, the military requirement for ships has been thoroughly validated by the country team, the unified commander, and the Joint Chiefs of Staff.

Ability to operate ships

It has been determined that the recipient country has both the manpower and technical ability to operate the ships efficiently and effectively. The committee is advised that a concurrent request through diplomatic channels for the loan or sale has assured that there is also political support for the proposed transfer. After approval by

6 NAVAL VESSELS TO FRIENDLY LATIN AMERICAN COUNTRIES

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the country team, the unified commander has reviewed the proposed ship loan or sale to insure that it is in accordance with theater plans. Subsequently, the other military departments, the Departments of Defense and State, and the Bureau of the Budget, by their approval, have given assurance that the proposal fully supports U.S. policy and objectives.

Economical and effective

This bill, containing the proposed loan or sale of 11 destroyers and 1 submarine to South American countries, at no cost to the United States, provides the most economical and effective means by which the United States can assist these navies to improve their forces.

Replacement of obsolete ships

The vessels authorized by this bill would enable Latin American navies to continue replacement of obsolete ships and standardize on general purpose units suitable and effective for peacetime surveillance of coastal waters, support of counterinsurgency operations in coastal areas, and wartime patrol of convoy routes along their coasts. Since U.S. naval forces are insufficient to allow the U.S. Navy to assume the ASW role in these areas, the vessels provided under this bill will allow the Latin American navies to fill this important role. The annual United States-South American ASW training exercises (UNITAS series) have demonstrated the value of standardizing equipment and training to improve the collective strength of United States-South American naval forces.

Law of 1958

Concomitant with the ship loans under the 1958 law (Public Law 85-532), South American countries scrapped, laid up, or inactivated tonnage far beyond that received in loan. Testimony received by the committee from the Secretary of the Navy indicates that additional obsolete ships would be scrapped should the Congress approve this bill. The loan or sale of these ships would thus result in a quantitative reduction in their navies while greatly increasing their efficiency. The alternative appears to be a growing obsolescence of their ships, a degrading of the Latin American naval role, and perhaps their turning to other countries for support.

Option to purchase

In this bill, the South American countries would have the option to purchase the ships. Under that option, the ships involved would be stricken from the Navy list, and sold for not less than \$1 million each over and above the costs of activation, overhaul, or modification. Upon full payment by the recipient, such sales would be final and no recall of the ships would apply.

MUTUAL ADVANTAGES

Internal and external security.—The committee was informed that the ships proposed for loan under this bill will be used by the recipient countries to discharge naval responsibilities assumed by them in their areas. These ships will assist the recipient countries in maintaining their own internal security, in protecting their coasts and coastal lines of communication, and in protecting sea lines of communication.

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Antisubmarine capability.—The Department of Defense regards as important the achievement of a strong antisubmarine capability in the areas where these ships would be loaned. Any contribution by the recipient countries to offsetting a prospective submarine threat would enhance the total defense capability of the free world. To the extent that recipient countries develop an antisubmarine capability, U.S. naval forces will be freed from certain antisubmarine tasks.

Readiness and maintenance.—Although the U.S. Navy Reserve fleet is a source of potential naval strength, this potentiality would become actual naval strength if all the ships could be adequately manned, operated, and maintained in an active status. The cost of such operation by the United States is prohibitive in peacetime. Operation and maintenance of the vessels by allies can assist in keeping the equipment ready for use and in good condition.

Deployment.—Obviously, it is important to have naval forces properly positioned to counter an enemy threat. If the allies to whom the ships are to be loaned have the vessels functioning at the outbreak of any hostilities, time will be saved in the positioning of ships in the geographical areas where they are to be used.

Dispersion of our reserve fleet.—The U.S. Navy reserve fleet has been dispersed as widely as available berthing space and reasonable access to repair and overhaul facilities for periodic rehabilitation would permit. The loan of the ships that are the subject of this bill would tend to reduce undesirable concentration of reserve vessels.

Extension of U.S. influence.—The recipients of other loans of U.S. ships have adopted U.S. Navy doctrines and standards of operation and maintenance. This result has come about under the personnel training program carried out before and after transfer of the ships. During such training, naval personnel of foreign nations have the opportunity to observe U.S. Navy organizations in action and to observe America and Americans during their periods of leave and liberty. The officers and men who receive this training will provide the leadership for their navies in the years to come.

RECIPIENT NATIONS

Requests received.—Since World War II, the United States has received many requests for ships from foreign countries. These requests have been evaluated in terms of the needs of the requesting countries, mobilization requirements of the United States, worldwide demands on our resources, and the availability of mutual defense assistance funds.

Ships proposed for loan under this bill will satisfy some of the more urgent requests that have been considered. The ships that are proposed for transfer under the bill are part of our mobilization base but they will be in possession of allies and not lost to the United States.

Ability of countries to use.—The ability of the countries concerned to operate these vessels properly has been checked by the country teams composed of the U.S. ambassador, the chief of the military assistance advisory group, and the U.S. operations mission in each country involved. They have demonstrated their ability in operating with U.S. naval forces in UNITAS training exercises over the last 5 years.

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AGREEMENTS WITH FOREIGN COUNTRIES

Formal agreement

It is proposed that, upon enactment of the bill into law, a formal agreement will be concluded by the State Department with the recipient foreign government. It will be for a term of 5 years and if requested by the recipient government, the loan may be extended for an additional 5 years at the discretion of the President. The agreement will stipulate that the ships be used in accordance with the conditions of the mutual defense assistance agreement. The recipient government will have use of all equipment and spare parts on board the ships at the time of the delivery, but title remains in the United States even though the ships may be placed under the recipient government's flag. Possession of the ships will not be relinquished without consent of the United States, and no claims arising as a result of transfer and operation of the ships may be assessed against the United States.

Right to repossess

The United States may repossess these ships at any time if necessitated by its own emergency defense requirements. At the expiration of the loan, the ships will be returned in the same condition as when loaned, except for fair wear and tear, but if a ship is damaged or lost through enemy action, the recipient country is exempt from liability for such damage or loss.

FRIENDLY FOREIGN NATIONS

Ultimate responsibility for determination of a "friendly foreign nation" is vested in the President by the Foreign Assistance Act of 1961, section 503, which states inter alia:

The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, * * *.

Similar authority is contained in section 507 regarding military sales. In this case, the "sale" is for goods and services; i.e., equipment and repairs used in activating and overhauling the ship.

The definition is detailed further within the act of 1961 in section 506 where certain conditions of eligibility are prescribed. These conditions are applied continuously to all countries eligible for both grant aid and sales by the Departments of State and Defense to insure that recipients are "friendly" and that such military assistance is in keeping with military and political objectives of the United States.

NAVAL VESSELS TO FRIENDLY LATIN AMERICAN COUNTRIES
THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED,
PART II, CHAPTER 2

MILITARY ASSISTANCE

SECTION 506. CONDITION OF ELIGIBILITY.—(a) In addition to such other provisions as the President may require, no defense articles shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—

(A) permit any use of such articles by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles by gift, sale, or otherwise, or

(C) use or permit the use of such articles for purposes other than those for which furnished:

(2) it will maintain the security of such articles, and will provide substantially the same degree of security protection afforded to such articles by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles; and

(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles which are no longer needed for the purposes for which furnished.

* * * * *

SECTION 507. SALES.—(a) The President may furnish defense articles from the stocks of the Department of Defense and defense services to any friendly country or international organization, without reimbursement from funds made available for use under this part, if such country or international organization agrees to pay not less than the value thereof in United States dollars. Payment shall be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed three years after the delivery of the defense articles, or the provision of the defense services. For the purposes of this subsection, the value of excess defense articles shall be not less than (1) the value specified in section 644(m)(1) plus the scrap value, or (2) the market value, if ascertainable, whichever is the greater.

(b) The President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of defense articles or defense services for sale to any friendly country or international organization if such country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of such

contract which will assure the United States Government against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due. No sales of unclassified defense articles shall be made to the government of any economically developed nation under the provisions of this subsection unless such articles are not generally available for purchase by such nations from commercial sources in the United States: *Provided, however,* That the Secretary of Defense may waive the provisions of this sentence when he determines that the waiver of such provisions is in the national interest.

FISCAL DATA

This bill will not involve the expenditure of any Federal funds for the activation, overhaul, and modification of these ships.

It is estimated that costs of the proposed sales or loans covered in the draft bill will vary from a minimum of \$38 million to a maximum of \$80 million, dependent upon the extent of overhaul and modification desired, and whether title to the ships is purchased by the recipient countries. The costs for activation and rehabilitation of the vessels will be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation. All future costs of maintenance and overhaul will be paid by the recipient government.

DEPARTMENTAL DATA

This bill is a part of the Department of Defense legislative program for the 89th Congress. The Bureau of the Budget has no objection to this legislation. Below is set out a letter dated April 27, 1965, from Secretary of the Navy Paul H. Nitze which is made a part of this report.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, D.C., April 27, 1965.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives, Washington, D.C.

MY DEAR MR. SPEAKER: There is forwarded herewith a draft of proposed legislation to authorize the sale or loan of naval vessels to friendly Latin American countries, and for other purposes.

This proposal is a part of the Department of Defense legislative program for the 89th Congress, and it is related to the mutual defense and development program. The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this proposal for the consideration of the Congress. The Department of the Navy has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

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PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the sale or loan of 12 vessels of the destroyer and submarine categories of the reserve fleet to certain friendly Latin American countries. This authority is requested to enable the Latin American navies to continue replacement of obsolete ships and standardization on general-purpose units suitable and effective for peacetime surveillance of coastal waters, support of counterinsurgency operations in coastal areas, and wartime patrol of convoy routes along their coasts. The annual U.S.-South American ASW training exercises (UNITAS VI is scheduled for fall 1965) have demonstrated the value of standardizing equipment and training to improve the collective strength of U.S.-South American naval forces.

The following factors were considered before the sales or loans were proposed. First, it was determined that the transfer of ships for the specific intended uses of this legislation would not adversely affect the U.S. Navy's military capability and is in keeping with U.S. national policy. The proposals were then examined in relation to the naval tasks which the nations will be performing under their bilateral and multilateral agreements. Finally, an appraisal was made of the countries' demonstrated will to provide for their own defense and available manpower in conjunction with their capability to operate the ships, and the countries' economies. These factors have been weighed in the field by the U.S. Ambassador and the chief of the military assistance advisory group in each country, by the Commander in Chief, Southern Command, and by the Departments of Defense and State. At each of the levels it was determined that it is to our advantage to initiate the sales or loans as they are the most economical and effective means by which the United States can assist these navies to meet their force improvement program.

COST AND BUDGET DATA

It is estimated that costs of the proposed sales or loans covered in the draft bill will vary from a minimum of \$38 million to a maximum of \$80 million, dependent upon the extent of overhaul and modification desired, and whether title to the ships is purchased by the recipient countries. The costs for activation and rehabilitation of the vessels will be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation. All future costs of maintenance and overhaul will be paid by the recipient government.

Sincerely yours,

PAUL H. NITZE,
Secretary of the Navy.

12 NAVAL VESSELS TO FRIENDLY LATIN AMERICAN COUNTRIES

Approved For Release 2003/10/15 : CIA-RDP67B00446R000500260004-5

A BILL To authorize the sale or loan of naval vessels to friendly Latin American countries, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding section 7307 of title 10, United States Code, or any other law, the President may sell or lend, at his discretion, to friendly foreign nations of Latin America from the Reserve Fleet, on such terms and conditions as he deems appropriate, destroyers and submarines as follows:

(1) Argentina, three destroyers, (2) Brazil, four destroyers, (3) Chile, two destroyers, (4) Peru, two destroyers, (5) Venezuela, one submarine.

SEC. 2. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of vessels transferred under this Act shall be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

SEC. 3. Notwithstanding sections 7304 and 7305 of title 10, United States Code, should the President determine that the vessel or vessels shall be sold to the recipient government, said vessel or vessels shall be stricken from the Naval Vessel Register. The vessel or vessels shall be sold at not less than one million dollars each over and above any cost of activation, overhaul, or modification. All sales will be made pursuant to the Foreign Assistance Act of 1961, as amended, or successor legislation.

SEC. 4. All loans executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. They shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.

SEC. 5. No sale or loan may be made under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such sale or loan is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all sales or loans made under authority of this Act.

SEC. 6. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act.

SEC. 7. The authority of the President to sell or lend naval vessels under this Act terminates on December 31, 1967.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported:

EXISTING LAW

(10 U.S.C. ch. 633, Naval Vessels)

* * * * *

SEC. 7307. RESTRICTION ON DISPOSAL. (a) Notwithstanding any other provision of law, no battleship, aircraft carrier, cruiser, destroyer, or submarine of the Navy may be sold, transferred, or otherwise disposed of, unless the Chief of Naval Operations certifies that it is not essential to the defense of the United States.

(b) Without authority from Congress granted after March 10, 1951, no battleship, aircraft carrier, cruiser, destroyer, or submarine that has not been stricken from the Naval Vessel Register under section 7304 of this title, nor any interest of the United States in such a vessel, may be sold, transferred, or otherwise disposed of under any law.

* * * * *

THE BILL AS REPORTED

That notwithstanding section 7307 of title 10, United States Code, or any other law, the President may sell or lend, at his discretion, to friendly foreign nations of Latin America from the reserve fleet, on such terms and conditions as he deems appropriate, destroyers and submarines as follows:

(1) Argentina, three destroyers, (2) Brazil, four destroyers, (3) Chile, two destroyers, (4) Peru, two destroyers, (5) Venezuela, one submarine.

SEC. 2. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of vessels transferred under this Act shall be charged to funds provided by the recipient government under the reimbursable provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation.

EXISTING LAW

THE BILL AS REPORTED

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SEC. 3. Notwithstanding sections 7304 and 7305 of title 10, United States Code, should the President determine that the vessel or vessels shall be sold to the recipient government, said vessel or vessels shall be stricken from the Naval Vessel Register. The vessel or vessels shall be sold at not less than \$1,000,000 each over and above any cost of activation, overhaul, or modification. All sales will be made pursuant to the Foreign Assistance Act of 1961, as amended, or successor legislation.

SEC. 4. All loans executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. They shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.

SEC. 5. No sale or loan may be made under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such sale or loan is in the best interests of the United States. The Secretary of Defense shall keep the Congress currently advised of all sales or loans made under authority of this Act.

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